



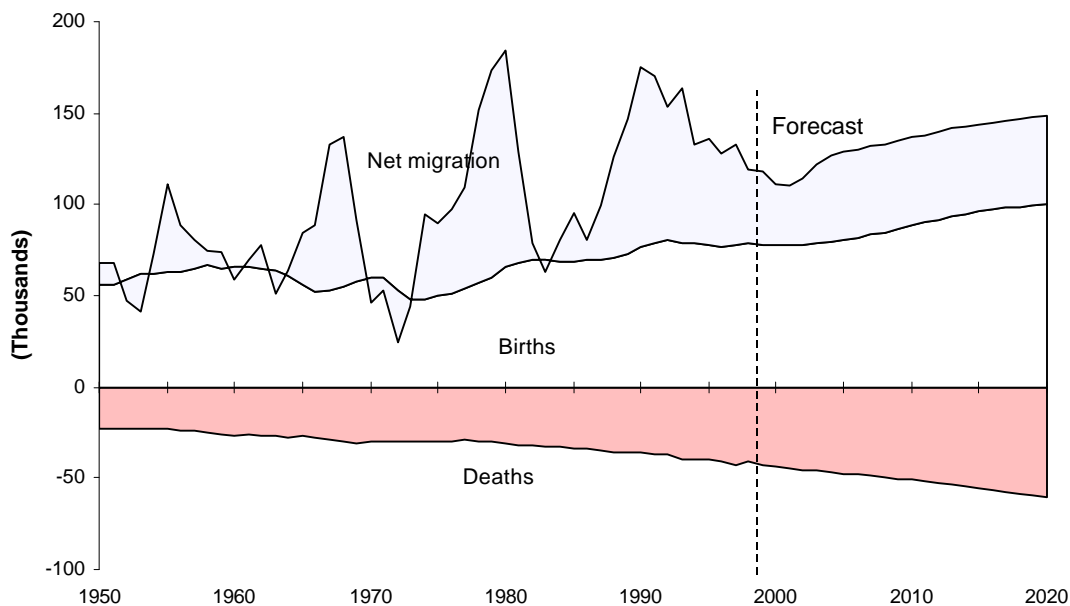
CHAPTER 1

Long-Term Forecasts of Washington Population and Net Migration

THE POPULATION PROJECTION is an integral part of the long-term forecast for Washington labor force, employment, and income. Population growth contributes to economic growth in the state by making available the labor needed for production, and by expanding the demand for goods and services.

Long-term population growth results from the combined effects of two sources of population change: natural increase and net migration. Natural increase is the excess of births over deaths, and net migration is the difference between in-migration and out-migration.

Figure 1-1
Components of Population Change: Washington



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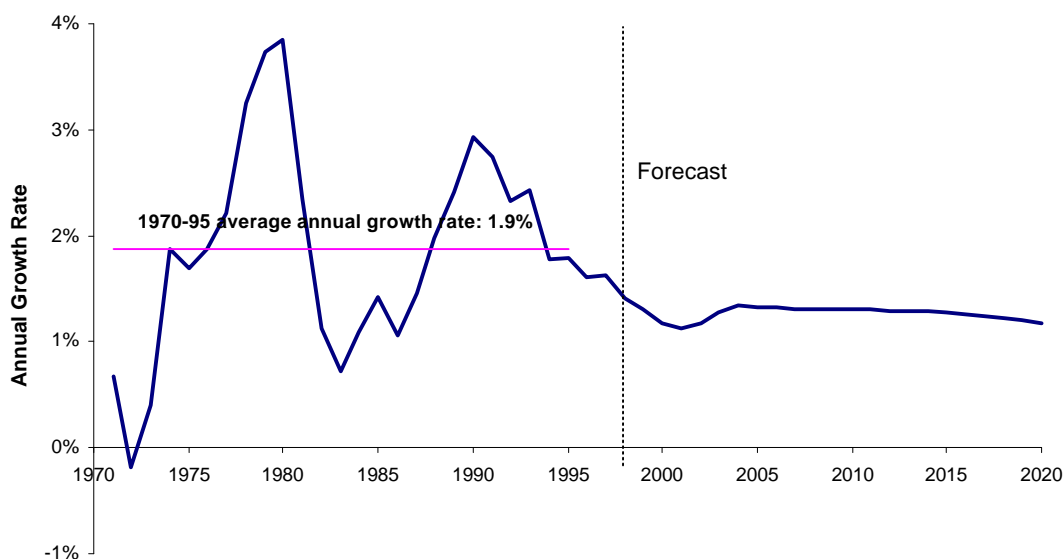
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Between 1970 and 1995, population in Washington grew 59 percent from 3.4 million to 5.4 million people, averaging 1.9 percent per year. However, the year-to-year changes fluctuated widely, ranging from a high of 3.8 percent in the 1979-80 period to the 1971-72 low of negative 0.2 percent. Net migration, which responds to changing economic conditions, accounted for most of the ups and downs in the yearly state population figures (Figure 1-1). Change in the number of births over time depends on the growth, age structure, and fertility rate of the population. The long-term trend of births in Washington reflects long, generational waves of socioeconomic

change including the Great Depression, the post World War II baby boom, the baby bust of the 1970s, and the baby boom echo of the 1980s.

Washington population grew at a 2.5 percent annual rate between 1990 and 1993, significantly above the long-term average. In the following five years, however, state population growth slowed to 1.6 percent per year. In 1998, about 5.7 million people lived in Washington State. Over the next 22 years, the state population is expected to grow at an annual rate of 1.3 percent (Figure 1-2), reaching a total of 7.5 million by the year 2020. Net migration is expected to account for about 55 percent of population growth during the period, with natural increase accounting for the remaining 45 percent.

Figure 1-2
Population Growth: Washington, 1970-2020



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Net Migration

People move into or out of Washington for a variety of reasons. Non-economic factors such as movements of military personnel, retirement migration (principally persons over 65), and pursuing social and natural amenities account for a relatively small portion of net migration. The majority of interstate population movements are due to relative changes in the labor market and economic conditions among the states. An expanding economy and labor market tends to “pull” people into an area. Conversely, a contracting economy and labor market tends to “push” people out of it. Net migration is the difference between out-migration and in-migration. These “push” and “pull” factors have made net migration the major contributor to population change in Washington.

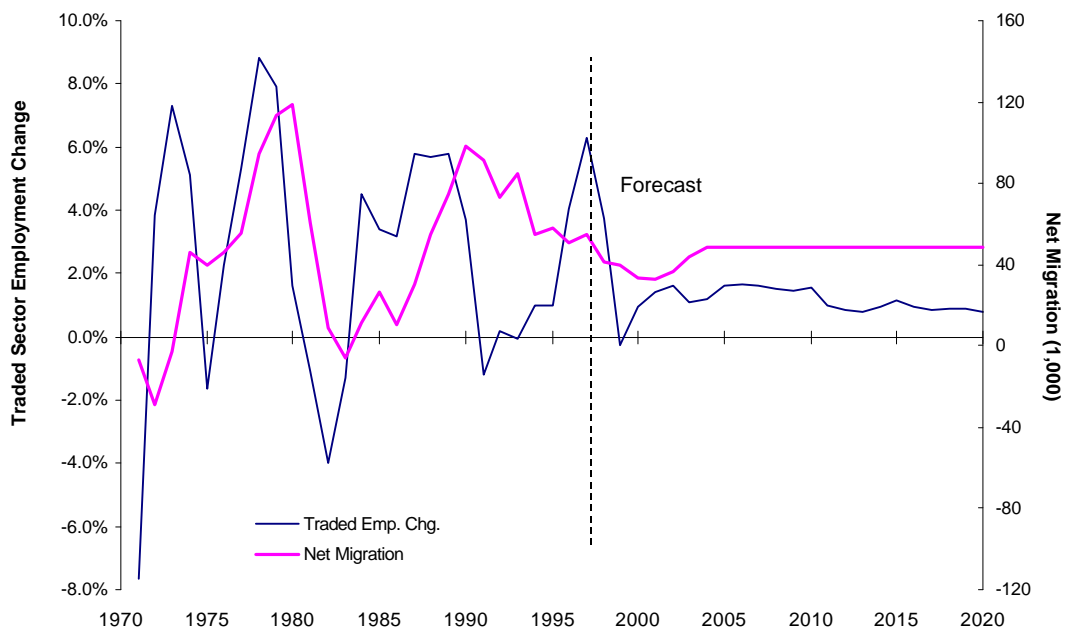
The effects of the “push” and “pull” factors are evident in the historical net migration patterns for Washington State. For example, large population increases due to net migration occurred as a result of rapid economic expansions in Washington during the late 1970s and late 1980s. When

the state economy slumped in 1970-73 and 1981-83, net migration dropped sharply; in several of those years there was actually negative net migration.

In the first half of the 1990s, the slowing of economic growth in the state lowered the level of net migration and thus restrained the growth of population, but not to the same extent as in the past. One major reason is that employment in Washington continued to grow during the 1990-91 U.S. recession. This made Washington relatively attractive to those seeking jobs, compared to other states which were losing jobs. The relative strength of the Washington economy compared to the rest of the U.S. helped “pull” more job-seekers into the state. In addition, California, which experienced a steep decline in employment starting about the same time as the U.S. recession, remained in recession well into 1993. Even though Washington experienced a significant reduction in aerospace jobs beginning in 1991, the overall Washington economy continued to perform much better than the California economy. Between 1990 and 1994, California experienced net out-migration of over 400,000 persons per year. Washington received a significant amount of these Californian out-migrants. These two factors, among others, contributed to relatively high levels of net migration for Washington during the early 1990s, even at a time when the state’s economy slowed down significantly.

The picture, however, has changed in the past three years. From 1995 to 1998, while state economic growth picked up pace, so did the U.S. and the Californian economies. As a result, the level of net migration continued to decline (Figure 1-3).

Figure 1-3
Net Migration and Traded Sectors Employment Change



Change in “traded sector” employment has been the major determinant of the level of net migration for Washington State. The traded sectors of the state economy include manufacturing, civilian federal government, and producer services (services purchased by other businesses and government agencies). These industries are considered to be “traded” because the demand for their output exists mostly outside the state. For example, most of the aluminum produced in Washington is fabricated into consumer products by businesses outside the state.

The traded industries usually demand special worker skills that cannot be promptly supplied from the local labor pool. Companies in the traded sectors thus constantly recruit workers, especially professionals, from the national labor market. During expansionary periods, new positions created in the state’s traded industries very likely require specialized skills or experience that are in short supply among existing Washington workers. For example, to increase development and production to the desired levels, the Boeing Company may require as many as 3,000 additional aerospace engineers in a single year. If these needed engineers are not readily available in the state’s labor pool, they will have to come from outside the state.

Traded sector jobs also tend to be high wage jobs, which is another incentive to attract workers from outside the state. High wages not only induce people to change jobs, they also help cover the costs of interstate relocation. Cost is a critical concern for in-migrating workers, especially if they need to bring family members with them. In short, when Washington’s traded sectors expand, net migration increases, and when these sectors decline net migration falls.

Net migration has a significant impact on the size of the state labor force. Since a majority of in-migration to Washington is associated with employment opportunities, these economic migrants tend to be active labor market participants for a long span of time, therefore contributing to the growth of the Washington labor force. Also, *gross* migration — which includes both inflow and outflow — is generally 5 to 10 times the magnitude of net migration; this is the reason why many public and private business operations (e.g., issuance of driver’s license, rental housing, etc.) are strongly affected by net migration.

Forecast of Net Migration

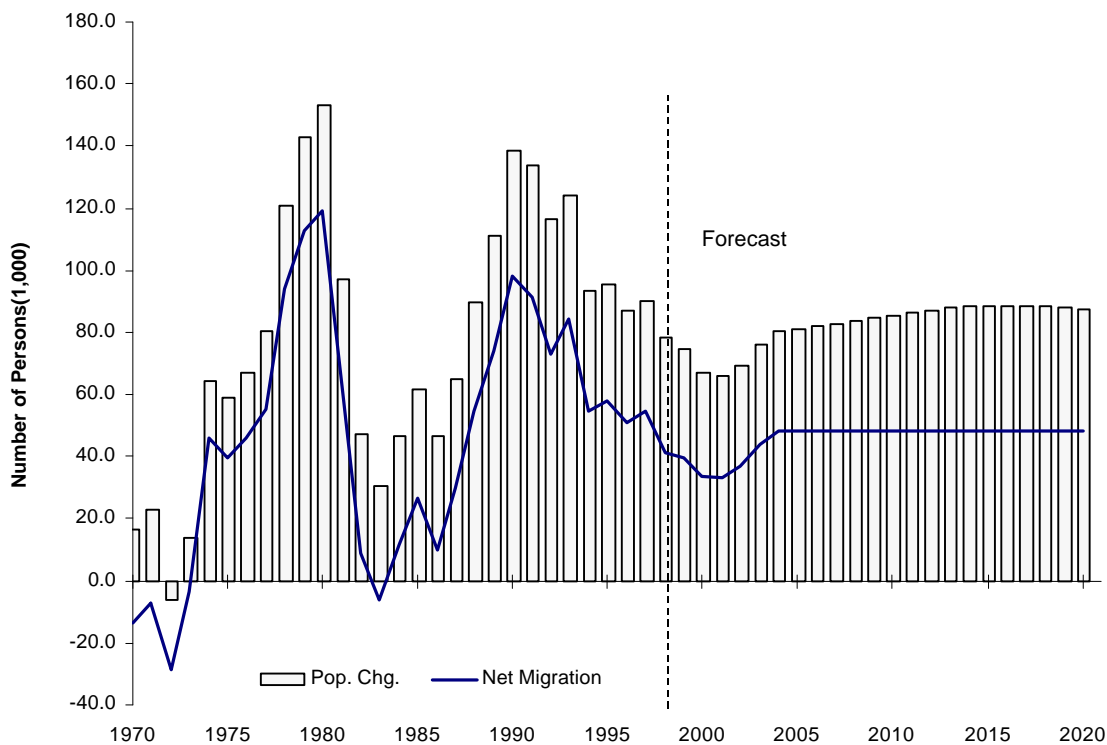
The methodology used to forecast net migration includes two steps. First, the Office of Financial Management (OFM) and the Employment Security Department (ESD) jointly develop a forecast of employment for each of the traded sectors. This initial forecast is based on a system of equations determining employment in each of the 17 manufacturing sectors, the federal civilian sector, and the producer services sector. The producer services sector consists of business services, legal services, engineering, accounting, research, management, and related services.

Next, a single equation model is used which treats Washington net migration as a function of traded sector job growth within the state relative to economic conditions in the rest of the country and California. The specific factors included in the model to determine levels of Washington net migration are:

- **The percentage change in Washington's traded sector employment relative to the percentage change in traded sector employment in the U.S.** (The U.S. forecast is from Data Resources Incorporated [DRI] Summer 1998 long-term trend forecast.)
- **The percentage change in Washington's traded sector employment relative to the percentage change in traded sector employment in California.** (The California forecast was obtained from the DRI's Regional Services.)

Net migration for Washington over the next 22 years is predicted to maintain an average of about 45,700 persons per year, slightly below the historical average of 48,200 per year between 1970 and 1995. The level of net migration, however, varies over the forecast period. Net migration is predicted to gradually decline to 33,500 by the year 2000, increase to an annual level of 44,000 between 2001 and 2004, and then settle on a stable, long-term level of around 48,100 per year through 2020. (Population statistics, including net migration, are shown in Table 1-1 at the end of this chapter.)

Figure 1-4
Net Migration and Population Change



The main reason that Washington's net migration is expected to remain close to the historical average is that Washington's traded sectors are expected to increase their edge over U.S. and California traded sectors over the forecast period. For example, the forecast calls for manufacturing employment to grow modestly in Washington over the next 22 years, whereas

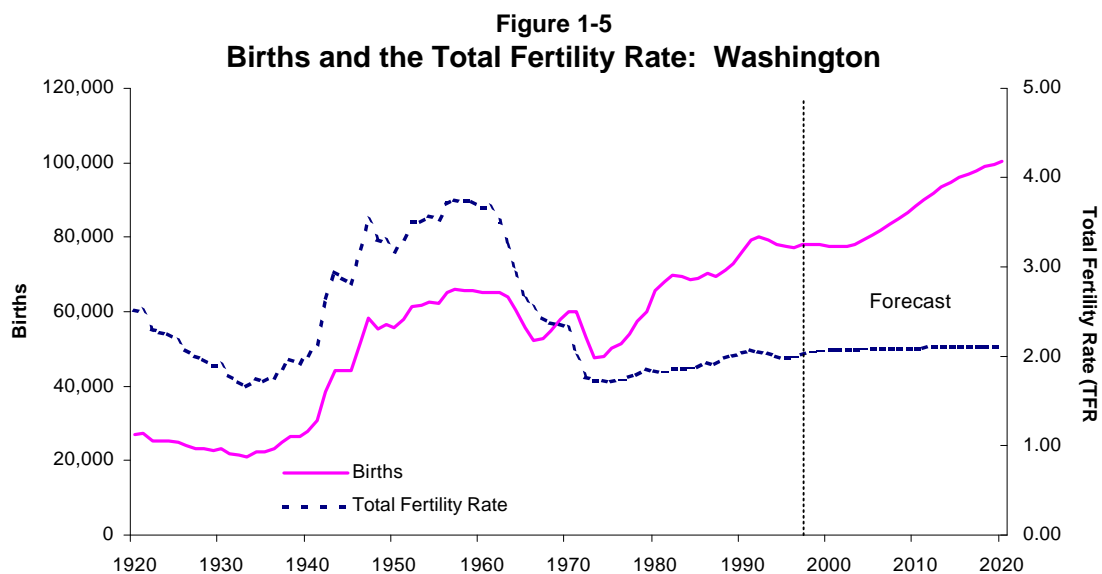
manufacturing employment in the U.S. is projected to gradually decline. In aggregate, total employment in the Washington traded sectors is expected to grow at an average annual rate of 1.5 percent from 1995 to 2020, significantly higher than the 0.9 percent growth rate for the U.S.

The net migration forecast, once completed, is incorporated in the demographic model for the long-term projection of total population.

Natural Increase

Natural increase is the second major component of population growth. Natural changes include additions to the population through births, and reductions from the population due to deaths. The state's natural population increase is forecast to average 36,700 a year between 1998 and 2020, representing 45 percent of annual population growth. This projected amount of natural increase is significantly lower than experienced in the late 1980s and early 1990s. The main reason is the increasing number of deaths associated with an aging population.

The total fertility rate in Washington, which represents the estimated average number of births to women in their childbearing years, is expected to reach and remain at a replacement level of 2.1 births per woman through the end of the forecast period (Figure 1-5). This is somewhat above the all-time low of 1.6 births per woman in 1933, but far below the peak of 3.7 births per woman in 1957. The fertility rate is not expected to rise significantly, in part because of the increasing labor force participation rate for women of child-bearing age. (See next chapter.) Also, women are marrying later, having children later, are more likely to live independently, and are spending more time pursuing an education compared to earlier generations. These factors, in combination with technological advancements in birth control, tend to lower the fertility rate.



While the fertility rate is expected to remain fairly stable throughout the forecast period, the number of women of childbearing age is predicted to grow steadily. As a result, the annual

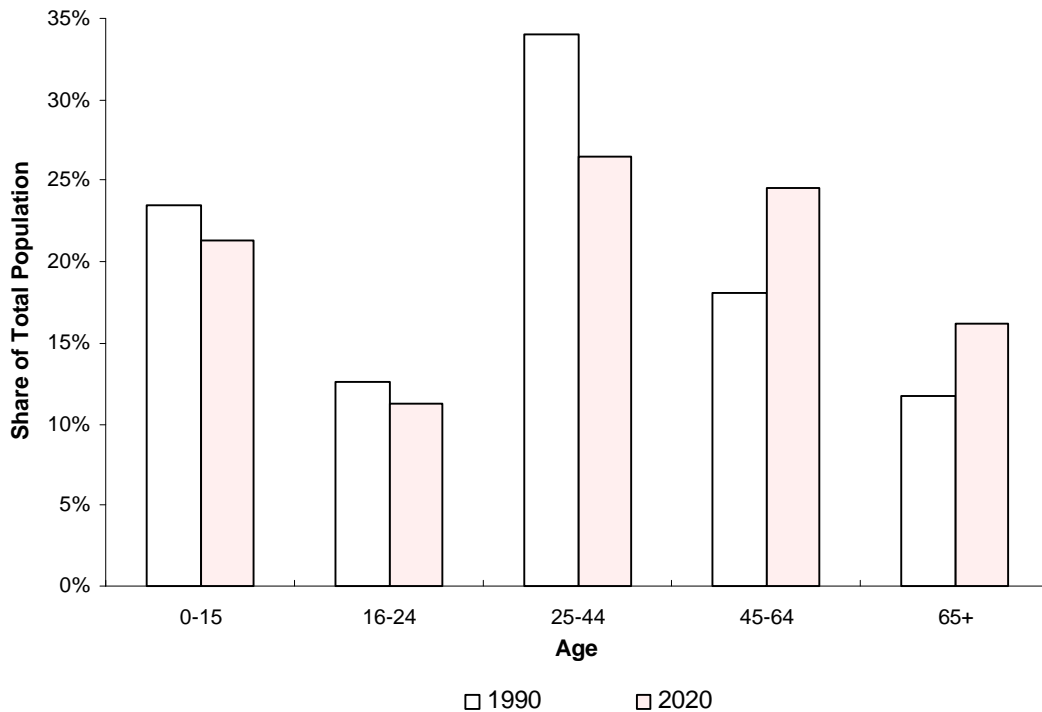
number of births in Washington is expected to increase from 77,500 in 1994-95 to about 100,200 in 2019-20.

By definition, the labor force includes only those age 16 and older. Births have a delayed effect on labor force growth, as individuals born today will be potential members of the labor force in 16 years. Since the forecast period in this report is 22 years, recent population changes due to births will affect the labor force in the latter years of the forecast period. This means that anyone born in 1995 will be old enough to enter the labor force in 2011. Similarly, births over the past 16 years are closely associated with the labor force growth in the 1998-2014 period.

Although the annual number of births in Washington during the early 1970s dropped to less than 50,000 for the first time in 25 years, the number of births rebounded to more than 70,000 in 1982. By 1990 the annual number of births in the state had increased to 76,400. As explained above, the increased births in the 1980s will contribute to the growth of the state workforce over the next two decades.

Mortality, the other component of natural increase, will also rise throughout the forecast period. Life expectancy increased rapidly between 1920 and 1960 and continued to improve in the 1980s, albeit at a much slower pace. Since a lot of the improvements have been achieved in the prevention of infant deaths, future dramatic improvement in life expectancy at birth is unlikely.

Figure 1-6
Aging of Population: Washington



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The forecast calls for both male and female life expectancy in Washington to continue to improve at a slow but steady rate. As in the nation as a whole, the state's population will be aging.

Consequently, the proportion of all deaths due to deaths in the elderly population will increase during the forecast period. This suggests that mortality will not have a major impact on labor force growth in the forecast period, because a majority of the deaths will occur at ages when individuals are unlikely to be in the labor force.

Over the next few decades, aging of the population, both in the state and throughout the nation, will be the dominant demographic phenomenon. In Washington State, people 65 years of age and older will account for a growing share of population, from 11.4 percent in 1998 to 16.2 percent in 2020 (Figure 1-6). The trend will have widespread economic and public policy implications ranging from the expanding demand for personal and health services at the local level to increased pressure on the federal Social Security and medical insurance programs.

Table 1-1 on the next page shows the historical and projected Washington population trend, and the components of population change.

Table 1-1

Components of Population Change: 1980 – 2020

Period	Population End of Period	Population Change		Births		Deaths		Natural Increase	Net Migration	
		Number	%	Number	Rate *	Number	Rate *		Number	Rate *
1980-1981	4,229,300	96,900	2.30	68,200	16.30	31,800	7.60	36,300	60,600	14.50
1981-1982	4,276,500	47,300	1.12	70,100	16.48	31,700	7.45	38,300	8,900	2.09
1982-1983	4,307,200	30,700	0.72	69,500	16.19	32,500	7.57	36,900	-6,200	-1.44
1983-1984	4,354,100	46,800	1.09	68,500	15.82	33,200	7.67	35,200	11,600	2.68
1984-1985	4,415,800	61,700	1.42	69,100	15.76	34,000	7.75	35,100	26,600	6.07
1985-1986	4,462,200	46,400	1.05	70,200	15.81	34,000	7.66	36,200	10,200	2.30
1986-1987	4,527,100	64,900	1.45	69,300	15.42	34,400	7.65	34,900	30,000	6.67
1987-1988	4,616,900	89,800	1.98	71,000	15.53	36,000	7.87	35,000	54,800	11.99
1988-1989	4,728,100	111,200	2.41	73,000	15.62	36,000	7.70	37,000	74,200	15.88
1989-1990	4,866,700	138,600	2.93	76,400	15.93	36,200	7.55	40,100	98,500	20.53
1990-1991	5,000,400	133,700	2.75	79,100	16.03	36,600	7.41	42,500	91,200	18.49
1991-1992	5,116,700	116,300	2.33	80,200	15.86	37,200	7.35	43,100	73,200	14.48
1992-1993	5,240,900	124,200	2.43	79,100	15.27	39,400	7.60	39,700	84,500	16.31
1993-1994	5,334,400	93,500	1.78	78,200	14.79	39,500	7.48	38,700	54,800	10.37
1994-1995	5,429,900	95,500	1.79	77,500	14.39	40,000	7.42	37,500	58,000	10.78
1995-1996	5,516,800	86,900	1.60	77,000	14.07	41,200	7.53	35,800	51,000	9.32
1996-1997	5,606,800	90,000	1.63	78,000	14.02	42,600	7.66	35,400	54,600	9.82
1997-1998	5,685,300	78,500	1.40	78,200	13.85	41,000	7.26	37,200	41,300	7.31
1998-1999	5,759,800	74,500	1.31	77,800	13.60	43,200	7.55	34,600	39,800	6.95
1999-2000	5,827,000	67,200	1.17	77,700	13.41	43,900	7.58	33,800	33,500	5.78
2000-2001	5,892,800	65,800	1.13	77,500	13.23	44,600	7.61	32,900	32,900	5.61
2001-2002	5,962,100	69,300	1.18	77,600	13.09	45,300	7.64	32,300	37,000	6.24
2002-2003	6,038,500	76,400	1.28	78,200	13.03	45,800	7.63	32,400	44,000	7.33
2003-2004	6,119,200	80,700	1.34	79,200	13.03	46,600	7.67	32,600	48,100	7.91
2004-2005	6,200,400	81,200	1.33	80,500	13.07	47,400	7.70	33,100	48,100	7.81
2005-2006	6,282,200	81,800	1.32	81,800	13.11	48,100	7.71	33,700	48,100	7.71
2006-2007	6,364,800	82,600	1.31	83,400	13.19	48,800	7.72	34,600	48,100	7.61
2007-2008	6,448,400	83,600	1.31	85,000	13.27	49,600	7.74	35,400	48,100	7.51
2008-2009	6,532,900	84,500	1.31	86,800	13.37	50,300	7.75	36,500	48,100	7.41
2009-2010	6,618,500	85,600	1.31	88,500	13.46	51,000	7.76	37,500	48,100	7.31
2010-2011	6,704,800	86,300	1.30	90,100	13.53	51,900	7.79	38,200	48,100	7.22
2011-2012	6,791,900	87,100	1.30	91,700	13.59	52,700	7.81	39,000	48,100	7.13
2012-2013	6,879,800	87,900	1.29	93,300	13.65	53,600	7.84	39,700	48,100	7.04
2013-2014	6,968,200	88,400	1.28	94,800	13.69	54,400	7.86	40,400	48,100	6.95
2014-2015	7,056,900	88,700	1.27	96,000	13.69	55,400	7.90	40,600	48,100	6.86
2015-2016	7,145,600	88,700	1.26	96,900	13.65	56,300	7.93	40,600	48,100	6.77
2016-2017	7,234,300	88,700	1.24	97,900	13.62	57,400	7.98	40,500	48,100	6.69
2017-2018	7,322,700	88,400	1.22	98,800	13.57	58,400	8.02	40,400	48,100	6.61
2018-2019	7,410,900	88,200	1.20	99,600	13.52	59,500	8.08	40,100	48,100	6.53
2019-2020	7,498,400	87,500	1.18	100,200	13.44	60,700	8.14	39,500	48,100	6.45
1980-1990		734,300		705,300		339,800			369,200	
1990-2000		960,300		782,800		404,600			581,900	
2000-2010		791,500		818,500		477,500			450,600	
2010-2020		879,900		959,300		560,300			481,000	
1995-2020		2,068,500		2,166,500		1,249,700			1,151,800	

* Rates are calculated per 1,000 midpoint population.

SOURCES: Forecasts of the State Population: November 1998 Forecast, Office of Financial Management, November 1998.

